

**Letter of Findings: 01-20181569
Individual Income Tax
For the Tax Year 2015**

NOTICE: IC § 6-8.1-3-3.5 and IC § 4-22-7-7 require the publication of this document in the Indiana Register. This document provides the general public with information about the Department's official position concerning a specific set of facts and issues. This document is effective as of its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Letter of Findings.

HOLDING

Husband and Wife failed to provide documentation supporting their position that the Department's proposed assessment of additional Indiana individual income tax was incorrect for the year at issue.

ISSUE

I. Income Tax–Burden of Proof Assessment Incorrect.

Authority: IC § 6-8.1-5-1; IC § 6-3-2-2; IC § 6-3-2-1; IC § 6-3-1-3.5; *Lafayette Square Amoco, Inc. v. Indiana Dep't of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007); *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138 (Ind. Tax Ct. 2010); *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480 (Ind. Tax Ct. 2012).

Taxpayers protest the imposition of Indiana individual income tax for tax year 2015.

STATEMENT OF FACTS

Taxpayers ("Husband and Wife") filed their 2015 Indiana tax return timely. In May of 2018, based on information from the Internal Revenue Service (IRS), the Indiana Department of Revenue ("Department") adjusted Taxpayer's 2015 return which resulted in a decrease in Taxpayers' refund. The Department issued Taxpayers a proposed assessment for the amount of the decrease, plus penalty and interest. Taxpayers protested the assessment and a hearing was held. Thus, this Letter of Findings is based on the information available to the Department and provided in Taxpayers' protest file. Additional facts will be provided as necessary.

I. Income Tax–Burden of Proof Assessment Incorrect.

DISCUSSION

Due to an adjustment to Taxpayers' 2015 Federal income tax return, the Department adjusted Taxpayers' Indiana 2015 tax return, resulting in a decrease in the refund due to the Taxpayers. The Department assessed Taxpayers for the amount of the decrease plus penalty and interest.

As a threshold issue, all tax assessments are *prima facie* evidence that the Department's claim for unpaid tax is valid; the taxpayer bears the burden of proving that any assessment is incorrect. IC § 6-8.1-5-1(c); *Indiana Dep't. of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463, 466 (Ind. 2011); *Lafayette Square Amoco, Inc. v. Indiana Dept. of State Revenue*, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007). Consequently, the taxpayer is required to provide documentation explaining and supporting its challenge that the Department's position is wrong. Poorly developed and non-cogent arguments are subject to waiver. *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138, 1145 (Ind. Tax Ct. 2010); *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480, 486 n.9 (Ind. Tax Ct. 2011).

Indiana imposes an adjusted gross income tax on all residents. IC § 6-3-2-1(a). A taxpayer's Indiana income is determined by starting with the federal adjusted gross income and making certain adjustments. IC § 6-3-1-3.5(a). IC § 6-3-2-2(a) specifically outlines what is income derived from Indiana sources and subject to Indiana income tax. For Indiana income tax purposes, the presumption is that taxpayers properly and correctly file their federal income tax returns as required pursuant to the Internal Revenue Code. Thus, to efficiently and effectively compute what is considered the taxpayer's Indiana income tax, the Indiana statute refers to the Internal Revenue

Code. IC § 6-3-1-3.5(a) provides the starting point to determine the taxpayer's taxable income and to calculate what would be their Indiana income tax after applying certain additions and subtractions to that starting point.

In May of 2018 the Department adjusted Taxpayers' 2015 Indiana income tax return based on information it received from the IRS. The Department then issued Taxpayers a proposed assessment as a result of the adjustment. Taxpayers protested the assessment and provided copies of their 2015 Indiana individual income tax return, W-2s, IRS Account Transcript and other relevant tax forms. Taxpayer stated that they use a computer system to file their taxes and the Federal Adjusted Gross Income ("FAGI") is automatically transferred over, so Taxpayers did not think that there was any kind of discrepancy.

The Department reviewed Taxpayers' protest and during the hearing informed Taxpayers that their FAGI was adjusted by the IRS and that the corresponding adjustment by the Department reflects that change. Taxpayers were unaware of a Federal adjustment. The Department allowed Taxpayers two months to contact the IRS and report back to the Department of any update and/or resolution. Taxpayers have not provided the Department with any update or change regarding Taxpayers' adjusted FAGI. Thus, since the changed made by the Department reflect Taxpayers' federal Record of Accounts, and Taxpayers did not provide anything to the contrary, Taxpayers' protest is denied. Taxpayers have failed to meet their burden under IC § 6-8.1-5-1(c). Taxpayers' protest is denied.

FINDING

Taxpayers' protest is denied.

December 10, 2018

Posted: 02/27/2019 by Legislative Services Agency
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